

Message Text

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13

ACTION AGR-20

INFO OCT-01 EUR-25 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

SP-03 STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01

DRC-01 /117 W

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R 141534Z MAY 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 2501

INFO AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

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DEPARTMENT PASS AGRICULTURE FOR GOODMAN

E.O. 11652: N/A

TAGS: EAGR, GW

SUBJECT: GERMAN AGRICULTURAL EXPORTS TO ITALY - THE DE-
POSIT PROBLEM

1. ITALY IS A MAJOR MARKET FOR GERMAN AGRICULTURAL PROD-
UCTS, ESPECIALLY FEEDER CATTLE, DAIRY PRODUCTS, AND MEAT
PRODUCTS. IN 1973, GERMANY EXPORTED ABOUT 2 BILLION DM
OF AGRICULTURAL PRODUCTS TO ITALY, WHICH ACCOUNTED FOR
25 PERCENT OF TOTAL GERMAN AGRICULTURAL EXPORTS.

2. BAVARIA IS MOST AFFECTED BY ITALY'S ATTEMPT TO REDUCE

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IMPORTS BY DEMANDING A 6 MONTH IMPORT DEPOSIT EQUAL TO
50 PERCENT OF THE VALUE OF THE IMPORTED PRODUCT. THIS

IS ESPECIALLY DIFFICULT FOR BAVARIAN FARMERS WHO SPECIALIZE IN DAIRY PRODUCTS, FEEDER CATTLE AND OTHER LIVESTOCK PRODUCTS.

3. THE GERMAN AUTHORITIES HAVE INDICATED THAT ITALY'S ACTION WILL BE TAKEN UP AGAIN THIS WEEK BY THE COMMISSION IN BRUSSELS. THE FRG, DENMARK, AND THE NETHERLANDS HAVE DECIDED TO AWAIT THE OUTCOME OF THIS MEETING BEFORE CONSIDERING FURTHER ACTIONS. IN THE EVENT THAT THE COMMISSION PROPOSAL IS UNACCEPTABLE, THEN THE FRG WILL ATTEMPT TO WORK OUT A SOLUTION IN COMBINATION WITH THE NETHERLANDS AND DENMARK. ONLY IN THE ABSENCE OF A TRIPARTITE SOLUTION WILL THE FRG CONSIDER FURTHER INDEPENDENT ACTIONS IN THIS MATTER.

4. DUE TO THE GOVERNMENT'S RELUCTANCE TO MOVE QUICKLY, SOME AGRICULTURAL EXPORTERS ARE SEEKING INDIVIDUAL AND OTHERS GROUP SOLUTIONS. REPORTEDLY, ITALIAN IMPORT FIRMS ARE UNABLE TO RAISE THE 50 PERCENT DEPOSIT REQUIRED, SO GERMAN EXPORTERS HAVE BEEN CHECKING OUT WAYS AND MEANS TO RAISE THE REQUIRED CAPITAL IN GERMANY. APPARENTLY, THE COST OF THE PROGRAM, ABOUT 3 PERCENT OF THE TOTAL VALUE OF AGRICULTURAL EXPORTS ON AN ANNUAL BASIS, COULD BE ABSORBED BY THE GERMAN EXPORTERS. HOWEVER, THE FINANCIAL INSTITUTIONS ARE CONCERNED ABOUT THE POSSIBLE DEVALUATION OF THE LIRA RELATIVE TO THE DM. THERE IS PRESSURE BUILDING UP, ESPECIALLY IN SOUTH GERMANY, TO HAVE THE GOVERNMENT GUARANTEE THE FINANCIAL INSTITUTIONS AGAINST A DEVALUATION LOSS. ALSO THERE APPEAR TO BE PRESSURES BUILDING UP FOR THE FEDERAL GOVERNMENT TO BEAR SOME OR ALL COSTS ON THE INTEREST FREE DEPOSITS.

5. REPORTS INDICATE THAT GERMAN EXPORTS OF DAIRY PRODUCTS TO ITALY ARE DOWN SUBSTANTIALLY, AND THIS COULD IN THE ABSENCE OF ACTIONS TO MAINTAIN TRADE FLOWS, CREATE SERIOUS PROBLEMS. AS REPORTED EARLIER, SURPLUS BUTTER AND BEEF STOCKS ARE ALREADY A MAJOR SOURCE OF CONCERN IN GERMANY.

HILLENBRAND

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